

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

The Peoples Gas Light and Coke Company :
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:
Informational statement pursuant to :
Section 6-102(d) of the Illinois :
Public Utilities Act in connection with : **03-0066**
the proposed issuance and sale of :
up to \$50 million aggregate principal :
amount of bonds or notes, or a :
combination thereof, in one or :
more series. :

ORDER

By the Commission:

On January 27, 2003, The Peoples Gas Light and Coke Company ("Peoples" or the "Company") filed a verified Informational Statement ("Statement") with the Illinois Commerce Commission ("Commission"), pursuant to Section 6-102(d) of the Illinois Public Utilities Act ("Act"), (220 ILCS 5/1-101, et seq.), relating to its request for an Order authorizing the issuance and sale of up to \$50,000,000 aggregate principal amount of bonds or notes, or a combination thereof, in one or more series, on or after February 11 , 2003 (the "New First Mortgage Bonds"). The proceeds will be used to refund or refinance the Series GG First Mortgage Bonds, thereby completely retiring that Series.

On January 30, 2003, the Commission Staff ("Staff") filed an Answer to the Statement. In its Answer, Staff recommended that the Commission issue an Order, pursuant to Section 6-102(d) of the Act, authorizing the issuance described in the Company's Statement.

Due to the fact that the parties advised the Administrative Law Judge ("ALJ") that there were no issues in controversy in this proceeding the parties' request for waiver of hearing was granted. Further, the parties requested leave to submit an Agreed Order for the ALJ's consideration.

The Company's Statement

In its Statement, Peoples indicates that it proposes to issue and sell, on or after February 11, 2003 up to \$50,000,000 aggregate principal amount of new debt, in one or more series and in one or more transactions. The proceeds will be used to refund or refinance the floating rate Series GG First Mortgage Bonds maturing in 2030, thereby completely retiring that Series. Series GG was authorized by the Commission's Order in Docket 00-0021.

Peoples' First Mortgage Indenture, under which the bonds are proposed to be issued, will consist of the Company's First and Refunding Mortgage dated January 2, 1926 and all supplemental indentures previously executed and now in effect with the trustee, U.S. Bank Trust National Association, as successor to Continental Bank, National Association ("Trustee"), the execution, delivery, and performance of all of which were authorized by orders of this Commission.

The New First Mortgage Bonds would be issued pursuant to and subject to one or more new supplemental indentures to the First Mortgage Indenture to be entered into by the Company and the Trustee. The Company also states it is considering issuance of the New First Mortgage Bonds in a variable rate or fixed rate mode or in some combination thereof. The terms will be determined at the time of sale and will depend on market conditions. Peoples expects the interest rate on the new First Mortgage Bonds to be in the range of 3% to 4%. The rate of the Series GG bonds is adjustable, with the rate reset weekly. The New First Mortgage Bonds will be termed out to five years in the current low-interest rate environment in order to reduce interest rate risk.

The Series GG Bonds were issued to the City of Chicago, Illinois ("City") in connection with the City's issuance of its Gas Supply Refunding Revenue Bonds Series 2000A (The Peoples Gas Light and Coke Company Project) (the "City Bonds"). The proceeds of the sale of the City Bonds were loaned to the Company for the purpose of refunding a portion of a series of the Company's previously issued First Mortgage Bonds.

The Company intends that the New First Mortgage Bonds will be issued to the Illinois Development Finance Authority, a municipal body of the state ("IDFA"). IDFA will contemporaneously issue its Gas Supply Refunding Revenue Bonds Series 2003B (The Peoples Gas Light and Coke Company Project) and loan the proceeds thereof to the Company. The Company will then use the proceeds to redeem the Series GG Bonds, thereby resulting in the City's redemption of the City Bonds. The Company states that because the proposed transaction discussed herein constitutes refunding or refinancing of old debt, it is not subject to Section 6-102(b) of the Act. Under Section 6-108 (2) of the Act, Peoples is not required to pay a fee for the issuance of the New First Mortgage Bonds because they are being issued for the purpose of refunding the Series GG bonds, for which a fee has already been paid to the Commission pursuant to Section 6-108 of the Act.

Staff's Answer

In its Answer, Staff indicates that the Company's proposal is subject to 6-101 of the Act, which requires the Commission to provide proper identification numbers on the proposed New First Mortgage Bonds when issued. Staff states that the Company requests one identification number for the proposed new issuance. The Company's proposal is also subject to Section 6-102(a), which requires a Commission Order authorizing the proposed issuance and sale of New Mortgage Bonds. The Order must also state the amount of the proceeds and purpose(s) to which they are to be applied, and that such application(s) is reasonably required.

Staff indicates that Peoples' proposal is not subject to Section 6-102(b) since 100% of the proceeds from the proposed debt issuance of \$50 million will be used to refinance existing bonds. Staff also indicates in its Answer that Section 6-102 (c) is not applicable in the context of this proceeding.

According to Staff's Answer, Peoples' proposal is subject to Section 6-102(d), which requires the filing of an Informational Statement and a Commission Order in conformance with Section 6-102(a). Staff's review of the Statement indicates that Peoples properly filed its Statement initiating this proceeding, and that the Statement contains the information required by Section 6-102(d). In addition, Staff stated its opinion that Peoples' financing proposal is reasonably required for the purposes indicated by it.

Staff stated that the Company's proposal is subject to Section 6-108, however since the proceeds will be used for the purpose of refunding outstanding bonds that have been issued with the consent of the Commission, no fee shall be required.

Finally, Staff notes that Peoples' proposal is subject to 83 Ill. Adm. Code 240 (Reports of Issuance and Sale or Disposal of Securities and the Application of Proceeds), which requires public utilities to meet specified reporting requirements in connection with the issuance and sale of securities.

Findings and Ordering Paragraphs

The Commission, having given due consideration to the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) The Peoples Gas Light and Coke Company, is a corporation engaged in the sale and distribution of gas to the public in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over the Company and of the subject matter of this proceeding;
- (3) the statements of fact and law set forth in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of fact and law;

- (4) the Company's proposed issuance and sale of \$50 million aggregate principal amount of bonds, is not subject to the provisions of Section 6-102(b) of the Act, and is hereby approved in accordance with Section 6-102(d) of the Act;
- (5) the funds to be obtained from the proposed issuance and sale of bonds are reasonably required for the purpose of retiring and refinancing existing bonds;
- (6) in accordance with Section 6-101 of the Act, Peoples should, before issuance and sale of the New First Mortgage Bonds described herein, cause the following to be placed on the face of such securities as may be issued by the Company: Ill. C.C. No. 6273;
- (7) Peoples should comply with the reporting requirements of 83 Ill. Adm. Code 240; and
- (8) Peoples should file reports as required by 83 Ill. Adm. Code 240 relative to the issuance and sale of the securities and application of the proceeds thereof.

IT IS THEREFORE ORDERED that The Peoples Gas Light and Coke Company's proposed issuance and sale of \$50 million principal amount of bonds, is not subject to the provisions of Section 6-102(b) of the Act, and is hereby approved in accordance with Section 6-102(d) of the Act.

IT IS FURTHER ORDERED that The Peoples Gas Light and Coke Company shall comply with Findings (6), (7), and (8) of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 11th day of February 2003.

(SIGNED) KEVIN K. WRIGHT

Chairman